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Dominican Republic

Oilseeds and Products

Annual

2007

Approved by:

Jamie Rothschild, Agricultural Attaché
U.S. Embassy

Prepared by:

Carlos Suárez, Senior Agricultural Specialist

Report Highlights:

The United States supplies all DR's soybean meal requirements reaching an all time high in MY 2005. Estimates for MY 2006 are lower with current soybean meal prices and an apparent poultry oversupply situation. Most of the soybean oil imports originate from Argentina, except for small spot purchases from the United States. The new free trade agreement implemented on March 1, 2007 locks in a zero duty for soybean meal and crude de-gummed oils and, phases out duties on refined oil over 15 years.

Includes PSD Changes: Yes
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Annual Report
Santo Domingo [DR1]
[DR]

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Executive Summary

Soybeans are not produced in the Dominican Republic. Therefore, imported soybean products satisfy all local market requirements. There are also practically no oil meals produced in the Dominican Republic, with the exception of about 1,000 tons of coconut meal and small quantities of palm kernel meal. Major consumers, feed processors for the local poultry and swine industries, rely entirely on imported U.S. soybean meal (48 percent protein) to satisfy their requirements. The United States has remained the Dominican Republic's major supplier of soybean meal, because of quality, price, and proximity.

Even with a smaller U.S. crop in MY 2005 when compared to MY 2004, U.S. exports of soybean meal increased 60 percent over the previous year, as the Dominican exchange rate showed stability and the Dominican swine and poultry producers increase production. In early MY 2006, an overproduction of poultry and swine occurred which depressed local prices. Producers in turn, were forced to begin reducing their inventories and as a consequence consumption estimates for MY 2006 will be lower.

Soybean meal remains with a zero import duty under the new DR-CAFTA free trade agreement implemented on March 1, 2007. The agreement, locks in a zero duty for U.S. crude oil, and phases out duties on refined oil over 15 years.

Domestic vegetable oil production in MY 2005 remained flat with 17,460 metric tons of crude palm oil (plus a small volume of palm kernel oil) and about 2,000 metric tons of coconut oil. Local production of oil represented less than 10 percent of the total supply last year and is expected to continue to decrease over the next two to three years.

Total domestic consumption of edible oils (soybean, sunflower, corn and palm) in MY 2005 was about 184,500 metric tons. This total includes about 115,000 MT of crude degummed soybean oil from Argentina; 18,000 MT from the United States and an additional 3,000 of U.S. refined soybean oil imported directly by the grocery importers. In addition, 13,000 MT of crude sunflower oil from Argentina; 7,200 MT of crude corn oil from the United States and 14,300 MT of crude palm oil from Colombia. Total consumption is not expected to grow much more in MY 2006.

OILSEEDS

Production

Soybeans are not produced domestically, because of unfavorable climatic conditions. During the 1980s, soybeans were imported from the United States and crushed domestically to produce oil and meal. Since the crushing facility was closed, soybean products are imported to satisfy local market requirements.

Other oilseed production in the Dominican Republic, such as copra and peanut, have gradually decreased, as a result of lower prices of other vegetable oils in the international market.

Consumption and Trade

Several years ago, the two major producers merged to become MERCASID, which now processes about 70 percent of Dominican oilseeds and imported crude degummed oils. However, La Fabril and Cesar Iglesias are also in operation and are refining imported crude degummed oils also, mostly soybean, sunflower and palm oils (see oil section).

Palm is crushed to produce crude palm oil. Crude palm oil is normally refined or further processed as a component for other locally consumed industrial products. Two companies are devoted to palm oil production: INDUSPALMA (a MERCASID sister company and a Unilever associate), and INASCA, an independent producer.

About 3,000 metric tons of copra was processed in MY 2005, yielding less than 2,000 metric tons of crude oil and 1,000 metric tons of meal. Industry estimates the consumption in MY 2006 will remain the same.

Stocks

Stock levels are insignificant.

Policy

The Dominican Republic formally maintains the maximum tariff rate of 40 percent for oilseeds, which is its bound duty in the World Trade Organization (WTO). However, no whole soybeans are imported. The Dominican Republic does not subsidize or restrict the trade of oilseeds. However, the government prefers that all trade be conducted through a registered Dominican agent. Phytosanitary no-objection permits are required but easily available through the Secretariat of Agriculture.

OIL MEALS

Production

With the exception of about 1,000 tons of coconut meal, there is practically no other oil meal produced in the country. Minimal quantities of palm kernel meal are produced when small amounts of palm kernel are available to crush. Coconut meal production has continued to decrease and currently represents less than 0.3 percent of total meal demand.

Major consumers, feed processors for the local poultry and swine industries, rely entirely on imported U.S. soybean meal (48 percent protein) to satisfy their requirements. The United States has remained the Dominican Republic's major supplier of soybean meal, because of quality, price, and proximity.

Consumption and Trade

Even with a smaller U.S. crop in MY 2005 when compared to MY 2004, U.S. exports increased 60 percent over the previous year, as the Dominican exchange rate showed stability and the Dominican swine and poultry producers increased production. MY 2006 estimates have been revised based on U.S. trade data. All imports of soybean meal in MY 2005 came from the United States, reaching a historical high of 423,569 MT. In early MY 2006, an overproduction of poultry and swine occurred which depressed the local prices. Producers in turn, were forced to begin reducing their inventories and consumption levels are expected to decrease. Post anticipates decreased imports for MY 2006, as prices of soybean meal remain high and the oversupply of poultry appeared in March 2007 gets under control. Import volumes will move towards the last five marketing-year-average of 305,000 MT (MY 2001-2005).

Most of the soybean meal imported services the Dominican poultry and swine industry (at a 65:25 ratio) with some rice and wheat bran supplement. The balance is used for cattle and other specialty feeds.

Major soybean meal users are large poultry and swine producers, poultry and swine producer associations, and cooperatives that mix their own feed to minimize costs. These groups, particularly Cooperativa Avicola Ganadera Jarabacoa and the Consejo de Instituciones Pecuarias, which produce more than half of the poultry and swine in the country, supply the Dominican livestock sector with most of its protein requirements (poultry, pork and eggs). In addition, there is only one protein meal importer that formulates feed, AGRIFEED. This company prepares, in addition to some poultry and swine feed for small and mid-size producers, specialized feed formulations for other animal breeds. They (AGRIFEED) also export to the near-by islands and some formulated feed also moves to the Haitian market through informal trade.

Soybean meal has no import tax and remains at zero with the DR-CAFTA free trade agreement just implemented.

Stocks

Industry sources indicate that stocks levels vary between 25-30,000 MT. MY 2006 anticipate slightly lower stocks.

Policy

The Dominican Republic does not have a comprehensive development strategy for the feed sector. Current budgetary constraints will make any future plan difficult to achieve. While soybean imports are not restricted, there are eight commodities, which include poultry, and swine (sectors that use the majority of the soybean imports), which are protected through a TRQ system and a phase out period up to 20 years.

Marketing

The American Soybean Board representatives visit the Dominican Republic regularly to service the market in the Dominican Republic through seminars and technical assistance to the dairy, swine and poultry sectors using part-time consultants to service the country. They also service Haiti when possible.

TOTAL OILS

Production

Domestic vegetable oil production in MY 2005 remains flat and limited to 17,460 metric tons of crude palm oil (plus a small volume of palm kernel oil) and about 2,000 metric tons of coconut oil. Local production of oil represented less than 10 percent of the total supply last year and is expected to continue to decrease over the next two to three years. There was significant competition in the Dominican market from oils from South America in MY 2005, including soybean and Sunflower oil from Argentina and palm oil from Colombia. This trend will continue into MY 2006.

Palm plantations have recovered from the effects of the 1998 hurricane and production is stable. In MY 2005, locally produced palm oil accounted for 90 percent of total domestic oil production (17,460 MT of palm and 2,000 MT of coconut oil). Most of the palm oil is processed further (fractionated) into the edible fraction (used for margarine and oil) and the inedible fraction (for soap).

Coconut oil production is limited to copra from coconuts, which do not meet the quality needed for either direct export or processing (e.g., syrup for piña coladas). Occasionally, some coconut oil is exported to nearby islands, although this has not been the case during the past two marketing years. There are numerous coconut producers in the country and many of them sell their copra to the oil processors directly for cosmetic industry use.

Consumption and Trade

Total domestic consumption of edible oils (soybean, sunflower, corn and palm) in MY 2005 is about 184,500 metric tons. This total includes about 115,000 MT of crude degummed soybean oil and 13,000 MT of crude sunflower oil from Argentina; 18,000 MT of crude soybean oil and 7,200 MT of corn from the United States; about 3,000 MT of refined soybean oil imported directly by the grocery importers from the United States and 14,300 MT of palm oil from Colombia. The total consumption is not expected to grow much more in MY 2006.

In the mid-nineties there were five edible oil processors in the Dominican Republic, but currently, there are only three in operation. In MY 2005, the largest processor MERCASID controlled approximately 73 percent of the market, LA FABRIL in Santiago has quickly gained over 18 percent of the market and "Cesar Iglesias" the remaining 8 percent. There are others such as Cortes Hermanos, Nestle Dominicana and Promind Agroindustrial which use small quantities of oil in their industrial processes. Estimated overall oil processing capacity exceeds 175,000 metric tons.

In MY 2005 soybean oil imports showed some growth over the previous year, as a result of a stronger economy. Consumption pattern showed an increase in volumes but not as much as moving towards more expensive oils. U.S. market share has decreased in MY 2005 over the year before as a result of less expensive oils sourced from South America. MY oil imports have been revised based on industry data. Consumption of sunflower and corn oils in MY 2005 appear to have moved upward as a result of higher volumes required by the tourism sector. The less expensive palm oil consumption has also increased as a result of higher demand for margarine. Import data MY 2006 is not expected to show major improvement.

In the case of soybean oil, price has been the most important consideration dictating the source of imports. Because of the lower Argentinean prices, the industry generally imports South American oil. U.S. oils have had limited success in the Dominican market, since the phase out of the PL-480 program in 1989, except for emergency purchases or discount loads as it happened in MY 2004 and MY 2005. A summary of Dominican vegetable oil imports for MY 2003 - 2005 is presented below:

Dominican Imports of Vegetable Oils MY 2003, MY 2004 and MY 2005

Marketing Year Share	Oil type	Quantity (MT)	% U.S.
MY 2003	Soybean	121,200	21
	Sunflower	7,000	0
	Corn	3,000	100
	Palm	10,000	N/A
	Coconut	600	N/A
	Total MY 2003	141,800	
MY 2004	Soybean	123,400	35
	Sunflower	10,700	41
	Corn	4,400	100
	Palm	12,000	0
	Coconut	400	N/A
	Total MY 2004	151,900	32
MY 2005	Soybean	132,800	14
	Sunflower	12,775	0
	Corn	7,197	100
	Palm	14,250	0
	Coconut	N/A	N/A
	Total MY 2005	167,022	15

Source: Industry

Exports of Dominican edible oils to nearby islands are almost non-existent. Small quantities of soybean oil have been exported to Haiti (less than 1,000 MT).

Stocks

Stocks fluctuate throughout the year and are estimated at about fifteen thousand metric tons, which is equivalent to one month's supply.

Policy

The DR does not have a comprehensive development strategy for the oil sector. Currently, budgetary constraints will make any future plan difficult to achieve.

The applied tariff on most agricultural items in the Dominican Republic, including oils is twenty percent. Crude degummed oils have a basic three percent tax, while refined has a 20 percent basic duty. The 16 percent Value Added Tax is not applied to oil imports to maintain relatively low and stable prices to the consumer. The Dominican Republic does not restrict the trade of vegetable oils. However, the DR prefers that all trade be conducted through a registered Dominican agent. The recently negotiated DR-CAFTA free trade agreement, locks in a zero duty for U.S. crude oils, and phases out duties on refined oils over 15 years. It is

interesting to note that the U.S. refined olive oil had a 20% basic tax that has been reduced to zero under the implemented agreement with the United States.

Marketing

The Dominican oil market is very competitive, with an average supermarket carrying at least eight brands. In addition to local brands, the most popular brands appear to be Crisco (with canola and soybean oils), Mazola (with corn) and Wesson (canola, corn, sunflower and soybean oils) imported from the United States and some olive oil brands from the United States and the European Union. The major selling point of these oils is presentation and price.

PSD Table

Country

Dominican Republic

Commodity

Meal, Soybean

Commodity	Meal, Soybean			(1000 MT)(PERCENT)						UOM
	2005	Revised		2006	Estimate		2007	Forecast		
			Post			Post			Post	
	USDA	Post	Estimate	USDA	Post	Estimate	USDA	Post	Estimate	
Market Year Begin	Official	Estimate	New	Official	Estimate	New	Official	Estimate	New	
		01/2006	12/2006		01/2007	01/2007		01/2008	01/2008	MM/YYYY
Crush	0	0	0	0	0	0	0	0	0	0 (1000 MT)
Extr. Rate, 999.9999	0	0	0	0	0	0	0	0	0	0 (PERCENT)
Beginning Stocks	28	28	28	28	28	28	28	28	23	23 (1000 MT)
Production	0	0	0	0	0	0	0	0	0	0 (1000 MT)
MY Imports	446	310	424	470	315	390	0	0	400	400 (1000 MT)
MY Imp. from U.S.	424	310	424	425	315	390	0	0	400	400 (1000 MT)
MY Imp. from EU	0	0	0	0	0	0	0	0	0	0 (1000 MT)
Total Supply	474	338	452	498	343	418	28	28	423	423 (1000 MT)
MY Exports	0	0	0	0	0	0	0	0	0	0 (1000 MT)
MY Exp. to EU	0	0	0	0	0	0	0	0	0	0 (1000 MT)
Industrial Dom. Cons.	0	0	0	0	0	0	0	0	0	0 (1000 MT)
Food Use Dom. Cons.	0	0	0	0	0	0	0	0	0	0 (1000 MT)
Feed Waste Dom. Cons.	446	310	424	470	315	395	0	0	400	400 (1000 MT)
Total Dom. Cons.	446	310	424	470	315	395	0	0	400	400 (1000 MT)
Ending Stocks	28	28	28	28	28	23	0	0	23	23 (1000 MT)
Total Distribution	474	338	452	498	343	418	0	0	423	423 (1000 MT)
CY Imports	446	285	424	470	310	390	0	0	380	380 (1000 MT)
CY Imp. from U.S.	424	260	424	425	310	390	0	0	380	380 (1000 MT)
CY Exports	0	0	0	0	0	0	0	0	0	0 (1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0	0	0	0	0 (1000 MT)
SME	446	310	424	470	315	395	0	0	400	400 (1000 MT)

PSD Table**Country****Dominican Republic****Commodity****Oil, Soybean**

	2005			2006	Estimate		(1000 MT)(PERCENT)			UOM
	2005	Revised	Post				2007	Forecast	Post	
	USDA	Post	Estimate	USDA	Post	Post	USDA	Post	Estimate	
	Official	Estimate	New	Official	Estimate	New	Official	Estimate	New	
Market Year Begin		01/2006	12/2006		01/2007	12/2007		01/2008	12/2008	MM/YYYY
Crush	0	0	0	0	0	0	0	0	0	0 (1000 MT)
Extr. Rate, 999.9999	0	0	0	0	0	0	0	0	0	0 (PERCENT)
Beginning Stocks	14	14	14	14	14	14	14	14	14	14 (1000 MT)
Production	0	0	0	0	0	0	0	0	0	0 (1000 MT)
MY Imports	122	125	133	126	126	135	0	0	137	137 (1000 MT)
MY Imp. from U.S.	30	30	21	30	30	30	0	0	30	30 (1000 MT)
MY Imp. from EU	0	0	0	0	0	0	0	0	0	0 (1000 MT)
Total Supply	136	139	147	140	140	149	14	14	151	151 (1000 MT)
MY Exports	0	0	0	0	0	0	0	0	0	0 (1000 MT)
MY Exp. to EU	0	0	0	0	0	0	0	0	0	0 (1000 MT)
Industrial Dom. Cons.	0	0	0	0	0	0	0	0	0	0 (1000 MT)
Food Use Dom. Cons.	122	125	133	126	126	135	0	0	137	137 (1000 MT)
Feed Waste Dom. Cons.	0	0	0	0	0	0	0	0	0	0 (1000 MT)
Total Dom. Cons.	122	125	133	126	126	135	0	0	137	137 (1000 MT)
Ending Stocks	14	14	14	14	14	14	0	0	14	14 (1000 MT)
Total Distribution	136	139	147	140	140	149	0	0	151	151 (1000 MT)
CY Imports	122	123	133	126	125	135	0	0	137	137 (1000 MT)
CY Imp. from U.S.	0	43	21	0	30	30	0	0	30	30 (1000 MT)
CY Exports	0	0	0	0	0	0	0	0	0	0 (1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0	0	0	0	0 (1000 MT)